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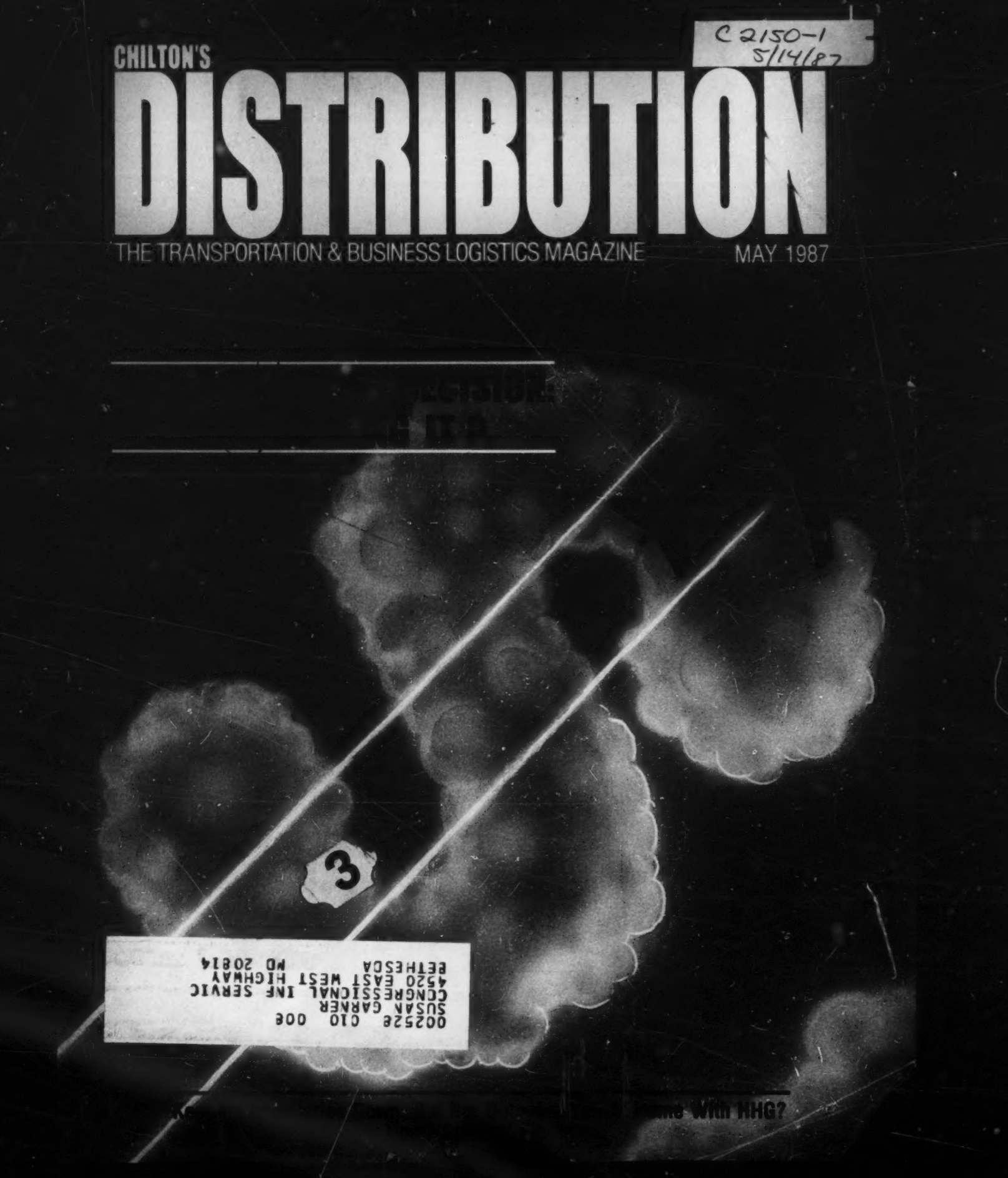
THE TRANSPORTATION & BUSINESS LOGISTICS MAGAZINE

MAY 1987



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COVER STORY

16 THE AIR FREIGHT DECISION: WINGING IT
There are ways to formulate an air freight shipping program that will keep costs from soaring. Often, though, it's best to learn by seeing how *not* to do it. Here's a perfect example.

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Shared access to stored information is the latest weapon in the computer arsenal.

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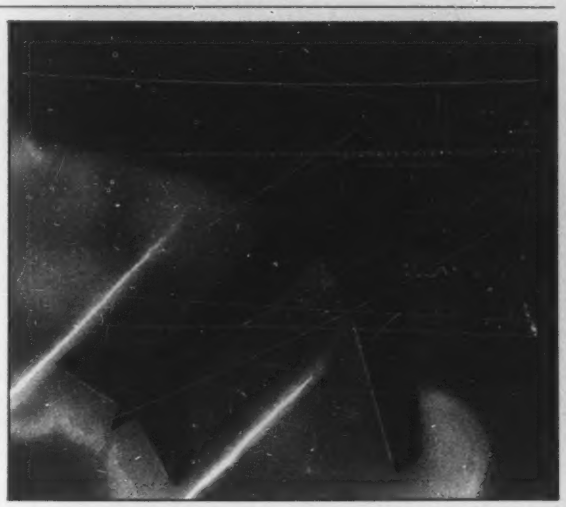
Handling household goods moves may not be glamorous. But if you're responsible for it, you can make points by doing it well. Here are some strategies that can help.



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NEXT MONTH

Who are all the players in the intermodal game?

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WINNING THE WAR ON PAPER

We've heard more than a few of our readers complain that paperwork is the bane of their existence. It slows business down and is prone to error. So it's no surprise that electronic data interchange (EDI) is one of the hottest technologies going today. What are the biggest advantages and disadvantages of implementing this new technology? That's what we asked in March, and some of the answers we received are listed here. For a more in-depth look at the topic, watch for our feature on EDI in the June installment of "The Computer Challenge."

"The greatest benefit of EDI is that it allows a paperless environment and increased cash flow. The greatest drawback is not knowing what to do. EDI is long overdue. Parties need to come to a common ground agreement on EDI requirements."—**B.L. Kaltenbaugh, traffic manager, Contel Texocom, Atlanta.**

"The greatest benefits are speed in handling and processing information and a dramatic reduction in the time spent on the telephone. The greatest drawback in implementing EDI is getting people to understand what you are trying to accomplish."—**W. Baxter, general traffic manager, Uniroyal Chemical Co., Middlebury, Ct.**

continued

My department uses EDI for:	
shipment status reporting	21%
purchase orders	15%
commercial invoices	13%
bills of lading	9%
freight bills	9%
rate checking	8%
funds transfer	6%
Average percentage of bills of lading being processed through EDI:	less than 1%
Average percentage of freight bills being processed through EDI:	19%
The impetus for EDI implementation has come from:	
the transportation/distribution department	63%
vendors	18%
customers	14%
carriers	5%

QUESTION OF THE MONTH

EENIE, MEENIE, MINIE, MO

How do you choose the carriers you use? Considering that shippers probably spend upwards of $50 billion a year on purchased transportation services, you would think that there would be a few well-established, time-tested, industry-wide systems for selecting carriers. There doesn't seem to be any standard, but we would like to know more about this from our readers.

Managing by the numbers is a trend in every industry, and carrier selection is no exception. Many shippers rely on sophisticated, computerized evaluation systems that constantly track carrier performance, rates, discounts, damage history and other factors. Our own Quest For Quality program is a variation of this trend.

But we also know that many experienced traffic managers depend on simple judgment and instinct to pick their carriers. Other bottom-line oriented companies let a bidding system determine who gets the transportation business.

This is an important area we all need more information about. DISTRIBUTION and its readers would like to know how your company deals with the all-important carrier selection process.

• Which method would best describe the process by which you select carriers? (check one): _____quantitative evaluation (formal point system); _____lowest rate bidding system; _____committee selection system; _____unstructured qualitative decision; _____individual decision of one person based on his/her expertise; other (describe): _____

• How do you weigh the following factors? Rank from 1 (most important) to 5 (least important): _____service (transit time, equipment, reliability, etc.); _____convenience (ease of rating, billing, tracing, claims settlement, etc; _____pricing (rate levels, contract terms, discounts, etc.); _____sales effectiveness (sales force's knowledge of shippers' needs); _____promotion (informativeness of ads, brochures; appropriateness of promotional efforts).

• I think the committee approach to selecting carriers is a: _____good idea because it brings together many points of view; _____bad idea because uninformed people make decisions; _____marginal idea that tends to waste time and produces no better decisions; _____other (specify): _____

Carriers would help us make our selections by doing the following:

_____

_____

_____

_____

_____

_____

NAME (print) TITLE

COMPANY PHONE

ADDRESS

CITY STATE ZIP

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that have caught the ears of *DISTRIBUTION* editors:)

"For too long we have neglected the fact that competition is the fundamental principle of business. You are bound to get better results playing carriers off one against the other than by using a legislative club to make the carriers a collective and unified enemy. I'm sick and tired of meetings where competing roads must discuss how the next skirmish in the ongoing war with our customers will be conducted. This crazy mentality is not helping American coal to compete."—**Charles N. Marshall, senior vp, marketing and sales, Conrail, to the National Coal Assn.**

•

"ATA could have worked with our coalition to generate a reasonable consensus on economic regulation, but they chose instead to promote their own short-term interests. Their unwillingness to cooperate has transformed a gentlemanly disagreement into a crusade. ATA has reaffirmed its status as the 'Flat Earth Society' of the nation's transportation system."—**Richard D. Henderson, executive vp, Private Truck Council of America, on the American Trucking Associations' Blue Ribbon Task Force report on economic regulation.**

WAR ON PAPER **continued from p. 7**

"The greatest benefit of implementing EDI is knowing the status of all inbound and outbound shipments. This reduces overall tracing requests and misguided shipments. The greatest drawback is that not all carriers are equipped to handle EDI with shippers."—**B. Joy, traffic manager, Power Lawn Mower Parts, Rochester, N.Y.**

"The greatest benefits are improved productivity, getting people off the phones, and a reduction in paper and paper files. The greatest drawbacks are a lack of standardized telecommunications formats and decisions as to whether to go system to system or through a third-party network."—**Gerald Miller, export traffic manager, 3M Co., Woodbury, Minn.**

"The greatest benefits of EDI include streamlining the paper flow, reducing input efforts and quick access to information. The greatest drawback is that the players involved do not have adequate computer training and don't know the full potential of an EDI program."—**Regis Visco, coordinator, general transportation, Eastman Kodak, Rochester, N.Y.**

"We don't know what the greatest benefits or drawbacks are yet, but we will be attending the National Furniture Traffic Conference on EDI in May to better understand it."—**Dwight L. Smith, vice president, materials, Schnadig Corp., Chicago.**

"The greatest benefits of EDI include reductions in manual workload, manpower and cost per transaction. The biggest drawbacks are negative attitudes toward EDI and inaccurate carrier billing practices."—**L.R. Kalb, manager, freight systems and services, Mobay Corp., Pittsburgh.**

"The greatest benefits of implementing EDI include complete, accurate information available to everyone; a decrease in sorting and shuffling paper; and easy analysis of transportation data such as loading and unloading times, accessorial charges by carrier, by customer and by product. The greatest drawbacks include the lack of computer sophistication and the resistance of people to let electronic messages and records replace paper and files."—**David. J. Tough, material management specialist, Dow Chemical Canada, Sarnia, Ontario.**

"The greatest benefit of implementing EDI is the elimination of repetitive handling of data. The greatest drawback is the start-up costs of implementing an EDI system."—**P. Marbach, controller, Transamerica Distribution Services, Downers Grove, Ill.**

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